

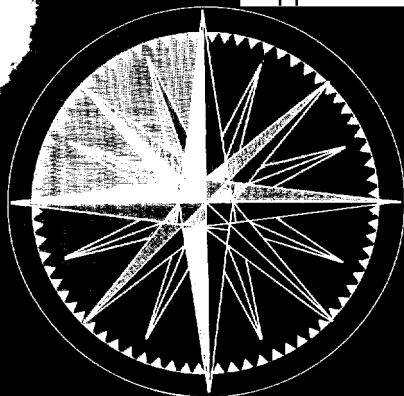
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SPECIAL REPORT

THE SITUATION IN CAMBODIA

State Dept. review
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THE SITUATION IN CAMBODIA

Cambodia's delicately balanced neutrality appears to be at a critical juncture. Recent actions by Prince Sihanouk, chief of state with virtually uncontested powers, are sharply reducing the country's ties with the free world, especially the United States. In early November he began a series of vitriolic attacks against US aid, and on 20 November he formally renounced it. This set off a chain of events which included limiting free world press access to Cambodia, announcing an intention to reduce the country's representation in nonbloc capitals, and, most recently, withdrawing the Cambodian mission from Washington.

These actions do not appear to have arisen out of any considered judgment on the volatile Sihanouk's part that Cambodia's orientation should be altered, and a reversal is therefore possible. The actions nevertheless have taken him further than ever before toward a break with the West. Increasing links with Communist China may result.

Events Which Prodded Sihanouk

The assassination of Ngo Dinh Diem almost certainly precipitated Sihanouk's outburst. Sihanouk considered the United States responsible for the overthrow of the South Vietnamese president.

The prince was also wrought up by scurrilous broadcasts from radio Khmer Serei (Free Cambodia), operated by a motley band of anti-Sihanouk dissidents based in Thailand and South Vietnam. While Sihanouk realizes that the Khmer Serei has no backing inside Cambodia, its broadcasts represent to him another provocation launched by his country's traditional enemies--Thailand and South Vietnam.

Sihanouk was especially susceptible to alarms and frustrations at the time. A drastic reducing diet, added to the cumulative fatigue of running the government virtually singlehanded, made him particularly irascible and cantankerous.

Attitude Toward the US

There are indications that Sihanouk was the victim of his own emotions in the present situation and that he probably did not deliberately plan to have relations with the US deteriorate as far and as fast as they have. Following formal renunciation of US aid, Cambodian negotiators made it clear that they wanted the aid to continue virtually intact for a six-month

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period, after which, they indicated, Cambodia would be happy to negotiate a new agreement. Sihanouk apparently was unaware that the existing aid agreement made it difficult to continue assistance after its formal termination. These feelers ended when Sihanouk recalled Cambodian Embassy personnel from Washington in response to US protests over a Cambodian broadcast slurring President Kennedy.

Sihanouk may have hoped all along to use the aid renunciation to open the way for renegotiation on more favorable terms. US aid, some \$365 million since 1956, has been Cambodia's chief source of external assistance. Bloc assistance, while growing, has been small by comparison--some \$65 million during the same period.

The prince had long chafed at what he considered were insulting "strings" attached to US aid, in particular the prohibition on commingling US with bloc military equipment. A precedent for breaking the free world's military aid monopoly was created earlier this year when Sihanouk accepted as a "personal" gift four MIG jets and 24 anti-aircraft weapons from the Soviet Union.

Sihanouk may also have come to believe that, if he were to maintain his dominant position, certain aspects of US aid would have to go, including the Commodity Import Program, which channeled currency into the

business sector of the Cambodian economy, and MAAG personnel, whom Sihanouk views as an all too real manifestation of American power and a potential threat to his security. Whatever his original intentions, Sihanouk was soon outdistanced by events.

Economic Consequences

Sihanouk's decision to terminate US aid and to nationalize segments of the Cambodian economy has had immediate and deleterious effects. The market value of the riel is down, there is hoarding of imported commodities, and the uneasiness of the business community is reflected in the flight of capital. The problem of financing the forthcoming rice harvest is but one example of the economic difficulties Sihanouk now faces. This function has been traditionally performed by banking and



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export interests which face imminent nationalization.

While economic dislocation is likely to be severe, it will not be ruinous. By Southeast Asian standards, Cambodia is basically a prosperous country producing more food than it consumes. It has ample foreign exchange to see it through a short-term crisis. Austerity steps already are being taken to reduce the budget deficit.

Additional aid from other sources probably will be forthcoming, although not in amounts to take up all the slack. The French have indicated a willingness to increase somewhat their modest assistance program, and French Defense Minister Messmer will go to Phnom Penh in early January to work out details.

Communist Ties

Communist China and the Soviet Union have reacted cautiously, and thus far have offered no additional assistance. While Cambodia has been increasing its ties with Communist China --as the 25 November signing of a long-pending civil air agreement suggests--these are unlikely to become close in the near future.

Sihanouk recognizes that an increased Chinese presence in Cambodia will weaken the

country's neutrality and might eventually pose a threat to his own control. While he still considers himself a neutral, he believes also that Communist China will ultimately prevail in Southeast Asia and may have decided to accommodate Cambodia's neutrality accordingly.

Internal Reaction

The gravity of Sihanouk's recent moves is mirrored in the dismay evident among the essentially conservative elements making up Cambodia's power structure--the military, the bureaucracy, business interests, and the royal family. These groups, including Sihanouk's mother, Queen Kossamak, are deeply distressed over the prospects of increased Chinese Communist influence in Cambodia and the resultant threat to their vested interests, and are attempting to persuade him to moderate his course.

Despite conservative criticism, there are no immediate prospects of organized open or covert opposition developing. Sihanouk's power position is strong. He commands overwhelming popular support and has skillfully used this support to head off opposition. The traditionally nonpolitical military establishment, which stands to be one of the principal victims of US aid termination, is unhappy but remains staunchly loyal. Even under the worst of circumstances

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that Sihanouk might generate, significant opposition from the military and other quarters probably would emerge only after a considerable lapse of time.

Outlook

So long as Sihanouk remains in an agitated state of mind, a reversal of policy is unlikely. His next move probably will be determined by several factors, including his assessment of his own standing at home and abroad, developments in Cambodia's relations with the United

States, France, and other Western nations, the success or failure of South Vietnam's recent conciliatory overtures, and the extent to which he can cope with the economic dislocation he precipitated.

While Cambodia's relations with the free world have deteriorated rapidly, changing circumstances could fashion an equally rapid improvement. Circumstances may continue to work to the detriment of the West, however, and Sihanouk may already have created a situation from which he cannot extricate himself, even if he wants to do so.

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